

May 2015

**Worcestershire County Council Draft Internal Audit  
Annual Report  
2014/15**



**Distribution List**

Audit and Governance Committee

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## 1. Background and Scope

### Background to this report

- 1.1. The Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011 requires the Head of Internal Audit to provide a written report to those charged with governance timed to inform the organisation's Annual Governance Statement (AGS). The purpose of this report is to present our annual opinion of the adequacy and effectiveness of the Council's system of internal control. This report is based upon the work agreed in the annual internal audit plan and conducted during the year.
- 1.2. Whilst our report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit was agreed with the Audit and Governance Committee and presented in the Annual Internal Audit plan, with subsequent amendments being reported to the Audit and Governance Committee. Our opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.
- 1.3. During 2014/15 a rigorous and robust investigation took place into a potential shared service arrangement with Warwickshire County Council. This proposal was subsequently agreed by both Councils and the shared service started on 1 May 2015. Those internal auditors employed by Worcestershire County Council transferred to Warwickshire County Council and the combined team now provides internal audit services to both County Councils and to their existing external clients.
- 1.4. This report covers the period from 1 April 2014 to 31 March 2015.

### Acknowledgements

- 1.5. Internal Audit would like to take this opportunity to thank all staff for their assistance during the year.

## 2. Our Annual Opinion

### Introduction

- 2.1. Internal Audit is required to provide those charged with governance with an opinion on the overall **adequacy and effectiveness** of the Council's:
  - Risk management
  - Control; and
  - Governance process

Collectively we refer to all of these activities in this report as “**the system of internal control**”.

- 2.2. Our opinion is based on the audit work performed as set out in our 2014/15 Internal Audit Plan agreed by the Audit and Governance Committee.

### **Annual opinion on the system of internal control**

- 2.3. It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 2.4. We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 2.5. Whilst we are satisfied that the overall standard of internal control for the financial year ending 31 March 2015 is performing adequately, our work did offer a number of areas for improvement.
- 2.6. We have substantially completed the programme of internal audit work for the year ended 31 March 2015, subject to management responses being finalised and agreed for the following draft reports:
- Local Enterprise Projects
  - Payroll
  - Pensions
  - Bank Reconciliations
  - Cost of change- redundancy costs
  - Commissioning – Learning & Achievement
  - Future Operating Model
  - Freedom of Information Requests
  - PFI Waste.
- 2.7. We are liaising with management to finalise these reports.
- 2.8. Four audits are still in progress:
- Archaeology
  - Registrars
  - Community Safety
  - Growing Places Fund.
- 2.9. As in 2013/14 there were no areas receiving a 'No Assurance' opinion. There were 8 areas that were 'Limited Assurance', including one report that is currently at draft stage and therefore may be subject to change. This is a reduction compared to the 2013/14 figure (11). Management has agreed to implement a

number of recommendations that will improve the system of internal control and manage potential risks.

- 2.10. The Council has further work to do in these areas to address the control weaknesses identified. The issues identified within these areas that have resulted in our Limited Assurance opinion are specified within 'Summary of Key Findings' at Appendix 3 with the exception of the report that is currently a draft.
- 2.11. Therefore, on the basis of our conclusions, with the exception of the reviews detailed above, we are able to give **SIGNIFICANT** assurance on the design, adequacy and effectiveness of the system of internal control at the Council. This equates to the 2013/14 rating. We provide 'significant' assurance where we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and / or the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a 'high' level of assurance. See Appendix 1 for the full list of available opinions and their definitions.
- 2.12. We have also provided support to the Council through our reviews and we have provided advice throughout the year to help improve controls and add value.

### 3. Internal Audit Work Conducted

#### Current year's internal audit plan

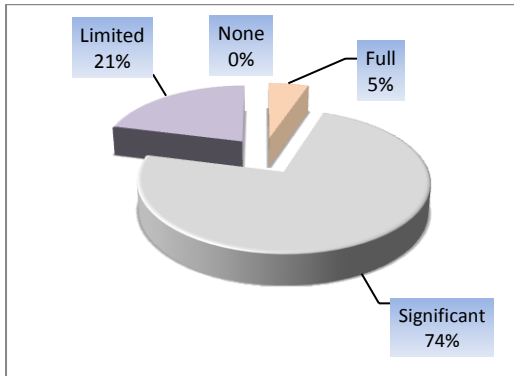
- 3.1. Our internal audit work has been conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) and the agreed Annual Internal Audit plan.
- 3.2. The key outcome of each individual audit is an identification of the inherent risks within the system and an overall opinion of the adequacy and effectiveness of the controls within the area audited. The opinions given ranging from the lowest to the highest are:
  - No assurance,
  - Limited assurance,
  - Significant assurance and
  - Full assurance.

Note that the opinions given on individual audits differ from those used for the overall annual opinion.

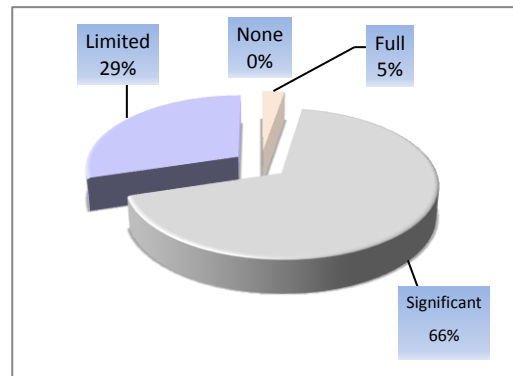
- 3.3. In recognition of the increasing amount of advisory work and Internal Audit's approach of being innovative and supporting change, a traffic light system (RAG status) has been introduced for some audits, to provide an indication to the client of current performance and to highlight areas that require further attention. The Audit and Governance Committee have been given regular reports during the year summarising audits undertaken.
- 3.4. The charts below show the assurance opinions given in 2014/15 compared to those in 2013/14. Our audit plan covers different areas each year, it is therefore not unexpected that these vary, however the assurance levels do give a

meaningful insight regarding the Council's control environment. A full list of assurance work is shown in Appendix 2.

Assurance Levels 2014/15

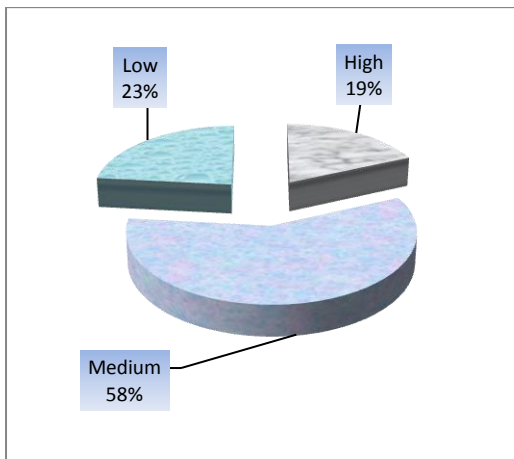


Assurance Levels 2013/14

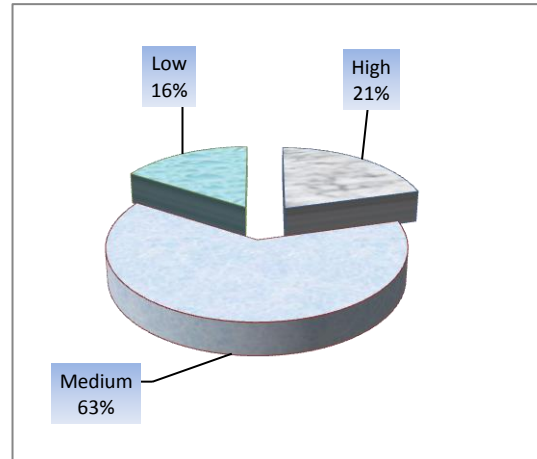


3.5. Recommendations are categorised to reflect the risk that they are intending to mitigate. This also assists managers in prioritising improvement actions. The categories used in increasing order of importance are low, medium and high. During the year 381 recommendations (495 during 2014/15) were made to improve control. The charts below show the comparison of internal audit recommendations made in 2014/15 and 2013/14.

3.6. Audit Recommendations 2014/15



Audit Recommendations 2013/14



3.7. In Appendix 3 we set out a summary of the key findings in relation to those areas where we have given only Limited Assurance for work carried out as part of the 2014/15 Internal Audit Plan.

3.8. At Appendix 4 we list those Internal Audits to be considered for publication.

### **Advice**

- 3.9. Internal Audit tends to be most effective when advice is sought at an early stage in the planning of policy or system development.
- 3.10. Internal Audit meets regularly with directors and other senior staff to identify areas where such advice or input is required. This work reduces the issues that will be raised in future audits, contributes to a stronger control environment and allows the audit team to keep up to date with current and future challenges facing the directorates.
- 3.11. During 2014/15 the Audit and Governance Committee have been updated on a number of areas where Internal Audit has been involved in an advisory capacity.

### **Special investigations**

- 3.12. The Audit Commission stated in their national report Protecting the Public Purse 2014 that fraud costs Local Government £2 billion a year, but this is probably an underestimate. Every pound lost through fraud cannot be spent on providing public services.
- 3.13. The Council does not appear to have a significant number of irregularities. However, the size and complexity of the Council means that it is inevitable that there will be a small number of irregularities to be investigated; any significant issues are reported to the Audit and Governance Committee.
- 3.14. A separate Counter Fraud audit report was submitted to the December Audit and Governance Committee detailing the work undertaken and planned by Internal Audit in respect of special Investigations and pro – active fraud activity.
- 3.15. The Fraud e-learning course since its inception in October 2013 has been completed by 623 out of a potential 3,500 employees.

### **Certification**

- 3.16. Internal Audit has carried out work to check and certify a number of grant claims. These were all found to be satisfactory.

### **Risk management**

- 3.17. Risk management plays a significant role in how the Council meets its challenges, and strives to achieve its business objectives. As a component of the Council's corporate governance framework, risk management provides a positive contribution towards the achievement of the Council's vision, aims and objectives by identifying risks and providing assurances that those risks are actively managed.
- 3.18. Internal Audit provides an annual independent, objective assessment/opinion of the effectiveness of the risk management and control processes operating within the Council which feeds into the Council's Annual Governance Statement.
- 3.19. Internal Audit also provides guidance as required on risk and control to the Corporate Information and Governance Board (CIGB), Corporate Information Governance Group (CIGG) and Corporate Risk Management Group (CRMG).

### **Delivery of internal audit plan 2014/15**

3.20. The Audit and Governance Committee approved the 2014/15 audit plan on 27 June 2014. The plan was revised slightly during the year to take account of changes to the audit work required. We have now achieved 94% of the revised plan albeit there is some ongoing work to ensure that all reports are appropriately approved by management. The content of draft reports has been taken into account in forming the overall internal audit annual opinion.

### **Effectiveness**

3.21. This section of the report sets out information on the effectiveness of the Internal Audit service and focuses on compliance with the PSIAS and the Local Government Application Note (LGAN), the Quality Assurance and Improvement Programme (QAIP) and customer feedback. The PSIAS code includes a detailed checklist against which effectiveness can be measured. Internal Audit carried out a self-assessment against the standards during 2013/14 and identified a number of areas for improvement in the form of a QAIP which were reported to Audit and Governance Committee in June 2014.

3.22. A review during 2014/15 shows that the majority of areas of non-compliance have now been implemented with the exception of 2 areas as summarised below:

- An Internal Audit Manual has been drafted but will now be replaced by Warwickshire County Council's Internal Audit Manual to reflect their procedures and policies.
- Improvements were required to ongoing performance monitoring of the audit service which should include comprehensive performance targets. These were being developed further and will now be formalised as part of the new arrangements with Warwickshire County Council.

There is a requirement for an external assessment of the service to be undertaken by people external to the internal audit activity with sufficient knowledge of internal audit practices and standards, at least every 5 years. This will be taken forward as part of the new service provision with Warwickshire County Council.

3.23. Following the completion of most audits, a "Customer Survey" has been issued to relevant managers asking for their views on the delivery of the audit. There are a range of questions including audit planning, reporting and an overall assessment. It is pleasing that an average score of 4.4 (out of a maximum of 5) has been achieved. In addition a number of positive comments and compliments regarding Internal Audit work have been received during the year.

3.24. The PSIAS requires that there are appropriate quality controls around audit work carried out. There is a rigorous review around the work performed by audit staff including a post audit review which feeds into the staff review and development process.

## **4. Limitations and Responsibilities**

### **Limitations inherent in the internal auditor's work**



### **Internal control**

- 4.1. Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems, these include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### **Future periods**

- 4.2. The assessment of controls relating to Worcestershire County Council is as at 31 March 2015. The historic evaluation of effectiveness is not relevant to future periods due to the risk that:
- the design of controls may become inadequate because of changes in the operating environment, law, regulation or other; or
  - the degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of management and of internal auditors**

- 4.3. Management is responsible for maintaining appropriate risk management processes, internal control systems and governance arrangements i.e. the control environment and for the prevention and detection of irregularities and fraud. Internal audit review, appraise and report on the efficiency and effectiveness of these arrangements. We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses and, if detected, we carried out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- 4.4. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

### **Basis of our assessment**

- 4.5. In accordance with the PSIAS, our assessment on risk management, control and governance is based upon the result of internal audits completed during the period in accordance with the plan approved by the Audit and Governance Committee. We have obtained sufficient, reliable and relevant evidence to support the assertions that we make within our assessment of risk management, control and governance.

### **Limitations in our scope**

- 4.6. The scope of our work has been limited to those areas identified in our individual Terms of Reference.

## 5. Appendix 1: Annual Assurance Levels and Risk Ratings

### Annual assurance levels

Level of Assurance	Description
High	We will provide 'high' assurance in our annual opinion where we have only identified low and medium rated risks during the course of our audit work on business critical systems.
Significant	We will provide 'significant' assurance in our annual opinion where we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and / or the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a high level of assurance. This level was formerly described as Moderate but has been changed following comments by the Audit & Governance Committee when considering the 2013/14 report.
Limited	We will provide 'limited' assurance in our annual opinion where we have identified high or critical rated risks during our audit work on business critical systems, but these risks are not pervasive to the system of internal control <u>and</u> there are identifiable and discrete elements of the system of internal control which are adequately designed and operating effectively. Our assurance will therefore be limited to these elements of the system of internal control.
No	We will provide 'no' assurance in our annual opinion where we have identified critical rated risks during the course of our audit work on business critical systems that are pervasive to the system of internal control or where we have identified a number of high rated risks that are significant to the system of internal control in aggregate.

### Definition of priority rating of recommendations within our individual audit assignments

Priority rating	Assessment rationale
● High	This is essential to provide satisfactory control of serious risk(s).
● Medium	This is important to provide satisfactory control of risk.
● Low	This will improve internal control

## 6. Appendix 2: Results of Individual Audit Assignments

6.1. We set out below the results of our work in terms of the number and relative priority of findings. A number of reports are awaiting management responses to either the draft or final report. These have been highlighted (\*) for reference.

Assignment	High	Medium	Low	Total	Overall opinion
Business Rates Pool	0	0	1	1	Full
Daily banking – Audit Banking Log	4	3	0	7	RAG rating
School Themed Audit – Overall report	7	13	6	26	Significant
Individual Procurement Card Audits:					
Fort Royal Community Primary	0	2	2	4	N/A
Birchensale Middle	0	1	1	2	N/A
Alvechurch Middle	0	0	4	4	N/A
Charlford First	0	1	2	3	N/A
North Bromsgrove High	2	2	0	4	N/A
Oldbury Park	3	2	0	5	N/A
Pitmaston	1	4	0	5	N/A
St Andrews	1	2	2	5	N/A
St Clements	1	3	2	6	N/A
St Georges	6	9	0	15	N/A
Worcestershire Councillor's Divisional Fund - WCDF	0	3	5	8	Significant
Not in Education, Employment or Trainings (NEETS)	1	4	1	6	Limited
Procured Service Delivery:	3	6	2	11	Limited
Procurement - Street lighting	2	2	1	5	N/A
Procurement – Stop Smoking	0	3	0	3	N/A
Procurement - Family Group	0	0	1	1	N/A

Assignment	High	Medium	Low	Total	Overall opinion
Conferencing					
Procurement – Stronger Families	0	2	0	2	N/A
Public Health Ring Fenced Grant	0	1	0	1	Significant
Computer Recycling	3	7	2	12	Limited
IT Risk Diagnostic	0	0	0	0	N/A
IT Disaster Recovery	2	2	0	4	Limited
IT Data Centre Operations and Security	3	3	2	8	Significant
IT Strategy	0	2	6	8	N/A
Crofter's Close	N/A	N/A	N/A	N/A	N/A
Councillors' ICT allowance	2	5	2	9	Significant
Design Services Contract – Term Shared Professional Services Contract	5	9	1	15	Limited
Travel and Subsistence - Employees	0	12	3	15	Significant
Use of Agency Staff	1	10	3	14	Limited
Data Information Security (Information Commissioners Office – follow up)	N/A	N/A	N/A	N/A	Significant
DASH Savings Plan	0	6	1	7	Significant
VAT	0	1	0	1	Significant
School Themed Audit – Overall report	3	5	3	11	Significant
Individual Safeguarding Audits:					
Abbey Park Middle	0	2	1	3	N/A
Bewdley High	0	2	1	3	N/A
Catshill Middle	0	0	1	1	N/A
Callow End Primary	0	2	0	2	N/A

Assignment	High	Medium	Low	Total	Overall opinion
Claines Primary	1	4	1	6	N/A
Cookley Sebright Primary	0	4	0	4	N/A
Great Witley Primary	0	2	1	3	N/A
Hartlebury Primary	0	1	0	1	N/A
Bewdley Primary	0	2	0	2	N/A
Whittington Primary	0	4	0	4	N/A
Schools Procurement follow up	7	6	0	13	Limited
Travel and Subsistence Councillors	1	1	1	3	Significant
Efficiency	0	2	4	6	Significant
Creditors	0	5	1	6	Significant
Debtors	0	5	3	8	Significant
Corporate Governance	0	6	1	7	Significant
Risk Management	0	7	0	7	Significant
Insurance	0	0	1	1	Full
European Funding	0	1	1	2	Significant
Local Enterprise Projects*	1	4	1	6	Significant
Primary School Sports Grant	1	1	0	2	Significant
Highways Maintenance Contract – Monitoring Arrangements	0	6	2	8	Significant
Care Act – Pre – Payment cards	0	0	0	0	Significant
Payroll *	1	8	4	13	Significant
Pensions*	1	6	3	10	Significant
Bank Reconciliations*	0	0	2	2	Significant
Cost of change- redundancy costs*	1	1	1	3	Significant
Commissioning*	3	4	1	8	Limited

<b>Assignment</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>	<b>Overall opinion</b>
Learning and Achievement					
Future Operating Model*	1	3	2	6	Significant.
Freedom of Information Requests*	0	3	3	6	Significant.
PFI Waste Contract*	1	0	0	1	Significant.
Delayed Transfer of Care	1	5	0	6	Significant.
<b>Total</b>	<b>70</b>	<b>222</b>	<b>89</b>	<b>381</b>	

## 7. Appendix 3: Summary of Key Findings

- 7.1. We set out a summary of the key findings for those areas where we have given only Limited Assurance, all of which have previously been reported to the Audit and Governance Committee:

Audit review	Key issues
Not in Education Employment or Training (NEETS)	<p>The published 2012/13 NEET results for Worcestershire showed a NEET rate of 5.3%. However, it is difficult to be sure of the accuracy of this figure as for 39.3% of the cohort the Council was unable to confirm their NEET status. It should be noted that this places the Council as third highest in terms of the proportion of unknowns when compared against national peers. The point of focus for the audit review was therefore around the processes followed regarding the identification of NEET's.</p> <p>On the basis of the audit work undertaken, it was apparent that a number of the controls in place are operating effectively and there are a number of sound methodologies in place with regard to the identification and recording of the NEET cohort.</p> <p>The work is judged to be currently limited assurance due to :</p> <ul style="list-style-type: none"><li>➤ Weaknesses in the current follow up and tracking arrangements which present a risk that the proportion of unknowns may continue to remain high;</li><li>➤ It is recognised that the level of resources allocated to following up unknowns and NEET has been reduced due to budget constraints and this has reduced the capacity to undertake this work which has impacted on the Council's results. Management needs to consider whether:<ul style="list-style-type: none"><li>A) The Council is best placed to maintain these records and understanding;</li><li>B) Maintaining low proportion of NEET and the current level of unknowns is acceptable; and</li><li>C) The level of resource is adequate to achieve the outcomes desired.</li></ul></li><li>➤ The level of unknowns may have implications regarding the identification of NEETs and ensuring that appropriate support is then made available to young people; and</li><li>➤ Resources have been concentrated on known and</li></ul>

## Audit review

## Key issues

upcoming NEETs and previous follow up routines with young people in work based training are not now usually undertaken. In the absence of this contact taking place at set intervals, this group becomes unknown which was a contributory factor to the high proportion of unknowns in September 2013. The other key factor in these results is the lack of follow up contact for year 13 pupils.

### Procured service delivery

The audit review which involved detailed checks on 4 contracts found that a number of effective monitoring processes were in place as regards one of the contracts reviewed but for the remaining three the review highlighted a number of weaknesses in the processes used to manage and monitor contracts, which make it difficult to demonstrate that the contracts examined were delivering the savings and benefits anticipated.

Key findings from the audit included :

- For one of the contracts a cost savings profile was not in place at the start of the audit, although one was developed during the review .
- Some of the minimum performance requirements outlined in some contracts were not being achieved in a number of cases, and monitoring visits had not widely been undertaken to discuss and address these issues. It was also unclear as to what the consequences of failures by providers to meet minimum required performance levels are, as payments had continued to be made to those providers which had not achieved the minimum performance requirements.
- Where services were jointly delivered by an external contractor and an in house team, the Council could not differentiate between the outcomes from the internal and external teams, as the focus has been on the outcomes associated with the wider team. It was therefore difficult to monitor the extent to which the contract was delivering effectively.

### Computer Recycling

The audit work carried out has identified a clear management commitment to ensuring that personal data is disposed of in a secure manner. Whilst there are a number of good practices in place, the concerns identified around procedures,



contractual arrangements and security have led to the current limited assurance audit opinion:

- Failure to provide copies of contracts with either of the two recycling companies;
- A requirement to update procedural documents to reflect current procedures. Consideration should also be given to a more detailed Asset Disposal Strategy that addresses the process of IT asset disposal and personal data;
- Computer recycling progress sheets produced by recycling companies have not been checked and updated on the inventory for three months at the time of audit testing. Consideration should be given to whether there are more efficient and timely ways to process this information;
- There were concerns regarding the level of authorisation around the release of computers to the recycling companies; and
- A review of the Council's computerised inventory record revealed that 5 computers sent to one of the companies for recycling, have been classed on the inventory as missing. It was recommended that these missing computers should be investigated further.

#### IT Disaster Recovery (ITDR)

It was recognised in the report that there are areas of ITDR good practice evident within the Council including:

- Investment in virtualisation and Storage Area Network (SAN) has provided advantages for the recovery of some IT systems;
- There is a formally documented and communicated ITDR command and control structure in place to manage IT outages; and
- Good links between the Corporate Risk Management approach and the ITDR programme, with business driven recovery requirements.

The main finding and cause of the Limited Assurance opinion is that the current ITDR arrangements are limited in capability should an event such as fire cause damage to the IT infrastructure hosted in the County Hall server room as there is no fire suppression system. In the event of a disruption requiring a full invocation of the ITDR plan for this server room, the County Council would have to potentially operate with a significant loss of priority 1 and 2, and other IT Systems and probable significant impact on the business and customers for weeks until new servers can be sourced, and

systems and data recovered effectively. It is noted that SAP has additional ITDR arrangements and may be recovered within about 5 working days from a major incident leading to loss of the server room but it is estimated that recovery (system rebuild and recovery of data from tape) of Frameworki would take in excess of 5 working days, and so will not meet current expectations for recovery.

In addition, testing of IT recovery has been limited over the past few years, with the notable exception of SAP and Civica Icon systems.

ITDR Documentation is in place for individual IT system recovery; however we would typically expect an ITDR recovery sequence to also be in place defining a logical technical recovery order of IT systems in priority order taking account of dependencies and feeder systems. This forms the basis to coordinate recovery in a disaster scenario across several IT recovery teams to ensure it is effective and efficient.

Finally, the review found that there is no formal agreement in place to procure replacement servers in a disaster situation beyond standard Council procurement processes.

At the Audit and Governance Committee held on 12 September 2014 the Committee received an update to the draft Disaster Recovery Internal Audit Report with particular reference to the Frameworki (FWi) system. It was minuted that the Council be informed that the Committee were reasonably reassured by the mitigation measures set out in the disaster recovery plans for the next 12 months.

Design Services  
Contract – Term  
Shared  
Professional  
Services Contract

The West Midlands Highway Alliance (WMHA) is an unincorporated, local authority led body consisting of a number of local authorities which has been created to orchestrate and oversee a programme which is intended to accelerate the achievement of value and efficiencies within the region.

Some authorities of the WMHA, including Worcestershire County Council, identified a need for professional service support in the delivery of highway services. A single supplier was appointed on a term contract over a 5 year period with an option to extend to 8 years.

Whilst there were examples of good practice with regard to monitoring and managing projects under the contract, there

were cases where the level of control was weak.

The reasons for the limited assurance opinion are as follows:

- A requirement to review proposed target prices and the need to challenge the resources required, where appropriate, to ensure they are justified;
- A need to develop monitoring tools to ensure that there are effective and objective ways of measuring performance to ensure that performance standards are adequate and to determine whether contract extensions should be agreed;
- It is important that assessments are checked to ensure they are reasonable by comparing the charges made against progress on the project and also a comparison against the target price build up.

#### Use of Agency Staff

The recruitment of the majority of agency staff is managed via the Matrix system (Agency Staff Recruitment System). The arrangements are intended to provide the Council with an efficient and cost effective recruitment solution. The current contract with Matrix expires in November 2015; with an option to extend for a further two years if required. Matrix are a Managed Service Provider and have no direct link to either agencies or recruitment firms but act as a "middle man" and manage the "supply chain" on the Council's behalf.

The current annual cost of agency staff is circa £6.9 million. Whilst this is currently increasing it should be noted that 72.88% of the current spend is spent on social work staff. Problems in recruiting Social Workers are being addressed both locally and nationally. It is also noted that recent staff reductions have led to an increased use of agency staff to combat high workloads.

A meeting has been held with senior management who have demonstrated a clear commitment to implement the recommendations that currently lead to an opinion of limited assurance due to issues around lack of effective controls including:

- A lack of guidelines detailing in what circumstances and for how long agency staff should be recruited;
- There are two levels of authorisation within the Matrix system, Client Owner and Client Manager. A sample of ten agency staff was selected from a March 2014 list provided by Matrix. In seven

cases out of the sample of ten the Client Owner and Client Manager was the same;

- A number of ex staff are listed as having access rights to the Matrix system;
- The Recruitment Services Team Leader confirmed that an approver need not be a WCC employee although it was noted that they do need to have a WCC email address;
- A number of disparities in pay rates. The Auditor examined a report of current users as at 22/7/14 from which it was noted that there are two workers who are paid day rates rather than hourly rates. One rate was £500 whereas the other is £300 per day. In addition, the temporary worker who is paid £300 per day is classed as a "Project Manager" and on the same report another Project Manager is being paid £21 per hour. £21 per hour is the notionally agreed rate for a Project Manager. Furthermore, there are a number of Team Managers (Children's) for whom the hourly rate varies between £24.40 (the agreed rate) and £40.13; and
- The procedures within the Matrix system to agree increases in hourly rates can be circumvented without providing an adequate audit trail. It has been agreed that Management will contact Matrix to investigate and obtain reassurance that there are adequate arrangements in place to agree and authorise any increase in an hourly rate paid to an agency worker

Whilst the majority of agency staff are recruited to cover either situations where we are unable to recruit, short term peaks in demand or sickness cover it was noted that the Recruitment Services Team Leader had identified a number (45) of temporary agency workers who have been engaged by the Council for over a year and in one case an individual has been engaged since 2009. It is acknowledged that in exceptional circumstances this may be legitimate and therefore important that the reasons for these timescales are recorded.

School  
Procurement  
Follow up

A follow up audit to the school themed audit on Procurement was conducted at one school.

A response has been received from the Head and Chair of Governors which demonstrates a clear commitment to

implement the recommendations from the audit also meetings have been held with officers to ensure that Governors across all schools are aware of the issues that currently lead to an opinion of limited assurance.

This is currently judged to be limited assurance due to issues around evidencing value for money and lack of effective controls including:

- Concerns around the award of contracts and the failure to demonstrate best value.
- Insufficient detail to clearly identify actions, approvals and decisions taken.

## **8. Appendix 4: List of Internal Audits to be considered for Publication**

8.1. The following reports may be published following consideration of whether a report would require redaction prior to publishing, the Head of Legal and Democratic Services advice will be sought in respect of this. It should be noted to date that only Internal Audit reports where an opinion has been given have been published.

- Insurance
- European Funding
- Primary School's Sport Grant
- Care Act – Pre payment card
- Delayed Transfer of Care
- Corporate Governance
- Risk Management